

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
VINTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Joan Sainsbury	President	2003
Mary Coots	Vice President	2003
Gerald Horst	Board Member	2004
Angela Sagan	Board Member	2004
Kathy Tranel	Board Member	2005
Brad Allyn	Board Member	2005
Tim Bird	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Joan Sainsbury	President	2006
Kathy Tranel	Vice President	2005
Gerald Horst	Board Member	2004
Angela Sagan	Board Member	2004
Brad Allyn	Board Member	2005
Tim Bird	Board Member	2005
Todd Wiley	Board Member	2006
<u>School Officials</u>		
Dr. Randy Braden	Superintendent	2007
Larry Stroschein	District Secretary/Treasurer	2004
Mark Mossman	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Vinton-Shellsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Vinton-Shellsburg Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Vinton-Shellsburg Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 26, 2004 on our consideration of Vinton-Shellsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vinton-Shellsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 26, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Vinton-Shellsburg Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2004. This analysis will focus on the District's financial performance as a whole for the fiscal year fiscal 2004.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ General Fund revenue increased from \$12,655,009 in fiscal 2003 to \$12,824,470 in fiscal 2004 while General Fund expenditures increased from \$ 12,619,277 in fiscal 2003 to \$13,024,074 in fiscal 2004.
- ◆ The increase in General Fund revenues was attributable to an increase in property tax as well as tuition and other revenue in fiscal 2004.

◆ Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finances most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

Vinton-Shellsburg Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
- ◆ The District's governmental funds include the General Fund; Special Revenue Funds and Debt Service Fund and the Capital Projects Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flow. The District currently has two enterprise funds, the school nutrition program and the child care program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Private -purpose Trust and Agency funds.
 - ◆ **Private-Purpose Trust Fund:** The District accounts for outside donations for specific purposes in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for the year ended June 30, 2004. The districts combined net assets were slightly higher on June 30, 2004 than they were the year before, increasing to 5,050,857. (see figure A1)

Condensed Statement of Net Assets-figure A1

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-04
Current and other assets	\$10,010,989	\$9,920,836	\$83,216	\$136,116	\$10,094,205	\$10,056,952	-0.4%
Capital assets	\$5,568,982	\$5,555,555	\$50,207	\$44,595	\$5,619,189	\$5,600,150	-0.3%
Total Assets	\$15,579,971	\$15,476,391	\$133,423	\$180,711	\$15,713,394	\$15,657,102	-0.4%
Long-term debt outstanding	\$1,629,224	\$1,227,648			\$1,629,224	\$1,227,648	-24.6%
Other liabilities	\$9,042,773	\$9,345,629	\$32,891	\$32,968	\$9,075,664	\$9,378,597	3.3%
Total liabilities	\$10,671,997	\$10,573,277	\$32,891	\$32,968	\$10,704,888	\$10,606,245	-0.9%
Net Assets							
Invested in capital assets, net of related debt	\$4,134,411	\$4,440,555	\$50,207	\$44,595	\$4,184,618	\$4,485,150	7.2%
Restricted	\$864,489	\$653,734			\$864,489	\$653,734	-24.4%
Unrestricted	-\$90,926	-\$191,175	\$50,325	\$103,148	-\$40,601	-\$88,027	116.8%
TOTAL NET ASSETS	\$4,907,974	\$4,903,114	\$100,532	\$147,743	\$5,008,506	\$5,050,857	0.8%

Changes in net assets: Figure A-2 shows the changes in net assets for the year ending June 30, 2004.

Changes in Net Assets from Operating Results- figure A2

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-04%
Revenues							
Program Revenues					\$ -	\$ -	
Charges for services	\$ 765,006	\$ 881,700	\$ 338,080	\$ 372,765	\$ 1,103,086	\$ 1,254,465	14%
Operating Grants & Contributions	\$ 1,057,975	\$ 1,394,739	\$ 266,453	\$ 301,149	\$ 1,324,428	\$ 1,695,888	28%
Capital Grants & Contributions	\$ 540,995				\$ 540,995	\$ -	-100%
General Revenues					\$ -	\$ -	
Property taxes & other taxes	\$ 4,544,445	\$ 4,662,756			\$ 4,544,445	\$ 4,662,756	3%
State formula aid	\$ 7,124,535	\$ 7,047,736			\$ 7,124,535	\$ 7,047,736	-1%
Other	\$ 63,872	\$ 122,456	\$ 351	\$ 166	\$ 64,223	\$ 122,622	91%
Total Revenues	\$ 14,096,828	\$ 14,109,387	\$ 604,884	\$ 674,080	\$ 14,701,712	\$ 14,783,467	1%
Expenses							
Instruction	\$ 9,165,749	\$ 9,341,420			\$ 9,165,749	\$ 9,341,420	2%
Support Services	\$ 3,616,185	\$ 3,812,865			\$ 3,616,185	\$ 3,812,865	5%
Non-instructional Programs			\$ 603,109	\$ 626,869	\$ 603,109	\$ 626,869	4%
					\$ -	\$ -	
					\$ -	\$ -	
Other	\$ 1,109,102	\$ 959,962			\$ 1,109,102	\$ 959,962	-13%
Total Expenses	\$ 13,891,036	\$ 14,114,247	\$ 603,109	\$ 626,869	\$ 14,494,145	\$ 14,741,116	2%
Excess (deficiency) before Special item	\$ 205,792	\$ (4,860)	\$ 1,775	\$ 47,211	\$ 207,567	\$ 42,351	-80%
Special item description	\$ 13,882				\$ 13,882	\$ -	-100%
Increase (decrease) in net assets	\$ 219,674	\$ (4,860)	\$ 1,775	\$ 47,211	\$ 221,449	\$ 42,351	-81%

Property tax and unrestricted state grants account for 83% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$ 14,109,387 and expenses were \$ 14,114,247. In a very difficult budget year, the District did a remarkable job of controlling expenditures to provide additional funds for upcoming years.

The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Net Cost of Governmental Activities- figure A3

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2003	2004	2003-04%	2003	2004	2003-04%
Instruction	\$ 9,165,749	\$ 9,341,420	2%	\$ 7,345,939	\$7,619,211	4%
Support Services	\$ 3,616,185	\$ 3,812,865	5%	\$ 3,327,778	\$3,802,649	14%
Non-instructional programs						
Other	\$ 1,109,102	\$ 959,962	-13%	\$ 853,343	\$415,948	-51%
TOTAL	\$ 13,891,036	\$ 14,114,247	2%	\$ 11,527,060	\$ 11,837,808	3%

- ◆ The cost financed by users of District's programs was \$ 881,700.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$ 1,394,739.
- ◆ The net cost of governmental activities was financed with \$ 4,662,756 in property tax, \$ 7,047,736 in state foundation aid and \$ 122,456 in other income.

Business -Type Activities

Revenues of the District's business-type activities were \$ 674,080 and expenses were \$ 626,869. The District's business-type activities include the School Nutrition Fund, and the Child Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Vinton-Shellsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$ 305,824 a decrease from last year's ending fund balance of \$ 695,890. The primary reason for the decrease in combined fund balances in fiscal 2004 was due to the expenditures being greater than revenues, which has been occurring for several years. The District is working to improve the fund balances.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, increased taxes and grants resulted in increased revenues. The increase in revenues was coupled with a less than usual increase in General Fund expenditures, due to controlled expenditures.
- ◆ The General Fund balance decreased from a positive balance of \$8,429 to a deficit of \$191,175, for the 2003-04 fiscal year. The District is working to improve the balance by increasing cash reserve levy and controlling expenditures.
- ◆ The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$369,527 to \$224,809, for the 2003-2004 fiscal year. The decrease is due to completion of the capital grant projects and the lack of similar sort of funding.

Proprietary Fund Highlights

The School Nutrition Fund and Preschool Daycare net assets increased slightly from \$ 100,532 at June 30, 2002 to \$147,743 at June 30, 2004.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds; budgets for the General Fund are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$ 413,368 less than the total budgeted receipts, a variance of 2.71 percent. The most significant change resulted in the District receiving less receipts from local sources than originally budgeted. Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2004, the District had invested \$ 5.60 million, net of accumulated depreciation of \$5.48 million, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$ 287,407.

Governmental Funds account for \$5.56 million with the remainder of \$.045 million in the School Nutrition Fund, net of accumulated depreciation amounts of \$5.39 million and \$.09 million, respectively.

Figure A-4
Capital Assets, Net of Depreciation

Capital Assets (net of depreciation)- figure A4

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2003	2004	2003	2004	2003	2004	Change
Land	\$ 135,815	\$ 135,815			\$ 135,815	\$ 135,815	0%
Improvements	\$ 337,455	\$ 334,358			\$ 337,455	\$ 334,358	-1%
Buildings	\$ 4,641,551	\$ 4,683,650			\$ 4,641,551	\$ 4,683,650	1%
Equipment & Furniture	\$ 454,161	\$ 401,732	\$ 50,207	\$ 44,595	\$ 504,368	\$ 446,327	-12%
TOTAL	\$ 5,568,982	\$ 5,555,555	\$ 50,207	\$ 44,595	\$ 5,619,189	\$ 5,600,150	0%

Long-Term Debt

On June 30, 2004, the District had \$675,000 bonded indebtedness, \$440,000 of capital loan notes outstanding, and lease purchase liabilities of \$57,678. See figure A-5 for more detail on long-term obligations.

Figure A-5
Total School District

	2004	2003	Change	
Early Retirement	54,970	90,727	-35,757	
Lease purchases	57,678	108,497	-50,819	
Real estate contract	0	40,000	-40,000	
General obligation bonds	675,000	815,000	-140,000	
Capital loan notes	440,000	575,000	-135,000	
Totals	1,227,648	1,629,224	-401,576	

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ State aid payments remain a concern. The governor issued an across the board budget cut of 2.3% in Sept. 2003. As long as the state financial picture remains bleak, future state cuts cannot be ruled out.
- ◆ The district voters authorized a one-cent school infrastructure local option tax in February 2004. Tax collection to begin in July 2004.
- ◆ The district voters authorized the issuance of 15.1 million dollars in general obligation bonds to pay for the construction of a new high school building in October 2004.
- ◆ The District will negotiate a new labor contract in 2005 with its employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Stroschein, Business Manager, Vinton-Shellsburg Community School District, 810 West 9th Street, Vinton, Iowa 52349.

Basic Financial Statements

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,335,996	\$ 114,041	\$ 1,450,037
Receivables:			
Property tax:			
Current year	82,428	-	82,428
Succeeding year	4,081,000	-	4,081,000
Income surtax	273,053	-	273,053
Accrued interest	531	18	549
Accounts	2,952	529	3,481
Due from other governments	252,386	-	252,386
Inventories	-	21,528	21,528
Restricted ISCAP assets (note 4):			
Investments	3,884,849	-	3,884,849
Accrued interest receivable	7,641	-	7,641
Capital assets, net of accumulated depreciation (note 5)	5,555,555	44,595	5,600,150
Total assets	15,476,391	180,711	15,657,102
Liabilities			
Accounts payable	48,974	159	49,133
Salaries and benefits payable	1,338,210	32,809	1,371,019
Accrued interest payable	3,670	-	3,670
ISCAP warrants payable (note 4)	3,862,000	-	3,862,000
ISCAP accrued interest payable (note 4)	11,775	-	11,775
Deferred revenue:			
Succeeding year property tax	4,081,000	-	4,081,000
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	54,970	-	54,970
Lease purchase agreement	53,127	-	53,127
Bonds payable	150,000	-	150,000
Notes payable	140,000	-	140,000
Portion due after one year:			
Lease purchase agreement	4,551	-	4,551
Bonds payable	525,000	-	525,000
Notes payable	300,000	-	300,000
Total liabilities	10,573,277	32,968	10,606,245

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 4,440,555	\$ 44,595	\$ 4,485,150
Restricted for:			
Management levy	49,446	-	49,446
Physical plant and equipment levy	440,184	-	440,184
Other special revenue purposes	146,295	-	146,295
Debt service	17,809	-	17,809
Unrestricted	(191,175)	103,148	(88,027)
Total net assets	\$ 4,903,114	\$ 147,743	\$ 5,050,857

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 6,250,901	\$ 257,552	\$ 627,748
Special instruction	2,069,556	241,907	212,761
Other instruction	1,020,963	382,241	-
	<u>9,341,420</u>	<u>881,700</u>	<u>840,509</u>
Support services:			
Student services	502,491	-	8,933
Instructional staff services	637,850	-	-
Administration services	1,197,121	-	-
Operation and maintenance of plant services	978,395	-	-
Transportation services	497,008	-	1,283
	<u>3,812,865</u>	<u>-</u>	<u>10,216</u>
Other expenditures:			
Facilities acquisition	185,762	-	-
Long-term debt interest and fiscal charges	53,438	-	-
AEA flowthrough	544,014	-	544,014
Depreciation (unallocated) *	176,748	-	-
	<u>959,962</u>	<u>-</u>	<u>544,014</u>
 Total governmental activities	 14,114,247	 881,700	 1,394,739
Business-Type Activities:			
Non-instructional programs:			
Food service operations	619,678	363,090	301,149
Daycare operations	7,191	9,675	-
	<u>626,869</u>	<u>372,765</u>	<u>301,149</u>
 Total	 \$ 14,741,116	 \$ 1,254,465	 \$ 1,695,888

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,365,601)	\$ -	\$ (5,365,601)
(1,614,888)	-	(1,614,888)
(638,722)	-	(638,722)
(7,619,211)	-	(7,619,211)
(493,558)	-	(493,558)
(637,850)	-	(637,850)
(1,197,121)	-	(1,197,121)
(978,395)	-	(978,395)
(495,725)	-	(495,725)
(3,802,649)	-	(3,802,649)
(185,762)	-	(185,762)
(53,438)	-	(53,438)
-	-	-
(176,748)	-	(176,748)
(415,948)	-	(415,948)
(11,837,808)	-	(11,837,808)
-	44,561	44,561
-	2,484	2,484
-	47,045	47,045
(11,837,808)	47,045	(11,790,763)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 3,943,882	\$ -	\$ 3,943,882
175,587	-	175,587
273,308	-	273,308
269,979	-	269,979
7,047,736	-	7,047,736
48,185	166	48,351
74,271	-	74,271
<u>11,832,948</u>	<u>166</u>	<u>11,833,114</u>
(4,860)	47,211	42,351
<u>4,907,974</u>	<u>100,532</u>	<u>5,008,506</u>
<u>\$ 4,903,114</u>	<u>\$ 147,743</u>	<u>\$ 5,050,857</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Funds</u>	<u>Funds</u>
Assets			
Cash and pooled investments	\$ 842,535	\$ 493,461	\$ 1,335,996
Receivables:			
Property tax:			
Current year	70,951	11,477	82,428
Succeeding year	3,472,000	609,000	4,081,000
Income surtax	-	273,053	273,053
Accrued interest	370	161	531
Accounts	15	2,937	2,952
Due from other governments	252,386	-	252,386
Restricted ISCAP assets (note 4):			
Investments	3,884,849	-	3,884,849
Accrued interest receivable	7,641	-	7,641
	<u>8,530,747</u>	<u>1,390,089</u>	<u>9,920,836</u>
Total assets	\$ 8,530,747	\$ 1,390,089	\$ 9,920,836
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 37,937	\$ 11,037	\$ 48,974
Salaries and benefits payable	1,338,210	-	1,338,210
ISCAP warrants payable (note 4)	3,862,000	-	3,862,000
ISCAP accrued interest payable (note 4)	11,775	-	11,775
Deferred revenue:			
Succeeding year property tax	3,472,000	609,000	4,081,000
Other	-	273,053	273,053
Total liabilities	<u>8,721,922</u>	<u>893,090</u>	<u>9,615,012</u>
Fund balance:			
Reserved for:			
State grants	40,804	-	40,804
Debt service	-	21,479	21,479
Unreserved:			
Reported in nonmajor Special			
Revenue Funds	-	475,520	475,520
Undesignated	(231,979)	-	(231,979)
Total fund balances	<u>(191,175)</u>	<u>496,999</u>	<u>305,824</u>
Total liabilities and fund balances	\$ 8,530,747	\$ 1,390,089	\$ 9,920,836

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 305,824
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,555,555
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	273,053
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,670)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,227,648)</u>
Net assets of governmental activities	<u>\$ 4,903,114</u>
See notes to financial statements.	

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 3,765,552	\$ 896,176	\$ 4,661,728
Tuition	434,440	-	434,440
Other	176,914	391,802	568,716
State sources	8,120,230	682	8,120,912
Federal sources	327,334	-	327,334
Total revenues	12,824,470	1,288,660	14,113,130
Expenditures:			
Current:			
Instruction:			
Regular instruction	6,121,487	158,498	6,279,985
Special instruction	2,069,556	-	2,069,556
Other instruction	657,082	363,881	1,020,963
	8,848,125	522,379	9,370,504
Support services:			
Student services	502,491	-	502,491
Instructional staff services	629,580	8,270	637,850
Administration services	1,197,121	-	1,197,121
Operation and maintenance of plant services	913,732	57,576	971,308
Transportation services	389,011	69,328	458,339
Central and other support services	-	-	-
	3,631,935	135,174	3,767,109
Other expenditures:			
Facilities acquisition	-	492,331	492,331
Long term debt:			
Principal	-	275,000	275,000
Interest and fiscal charges	-	54,238	54,238
AEA flowthrough	544,014	-	544,014
	544,014	821,569	1,365,583
Total expenditures	13,024,074	1,479,122	14,503,196
Deficiency of revenues under expenditures	(199,604)	(190,462)	(390,066)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Interfund transfers in	\$ -	\$ 152,918	\$ 152,918
Interfund transfers out	-	(152,918)	(152,918)
Total other financing sources (uses)	-	-	-
Net change in fund balances	(199,604)	(190,462)	(390,066)
Fund balances beginning of year	8,429	687,461	695,890
Fund balances end of year	\$ (191,175)	\$ 496,999	\$ 305,824

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (390,066)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	268,368	
Depreciation expense		<u>(281,795)</u>	(13,427)

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. (3,743)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 365,819

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 800

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 35,757

Change in net assets of governmental activities \$ (4,860)

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2004

	School Nutrition	Non-Major Enterprise Fund Preschool Daycare	Total
Assets			
Cash and cash equivalents	\$ 107,743	\$ 6,298	\$ 114,041
Receivables:			
Accrued interest	18	-	18
Accounts	309	220	529
Inventories	21,528	-	21,528
Capital assets, net of accumulated depreciation	44,595	-	44,595
Total assets	<u>174,193</u>	<u>6,518</u>	<u>180,711</u>
Liabilities			
Accounts payable	159	-	159
Salaries and benefits payable	32,809	-	32,809
Total liabilities	<u>32,968</u>	<u>-</u>	<u>32,968</u>
Net Assets			
Invested in capital assets, net of related debt	44,595	-	44,595
Unrestricted	96,630	6,518	103,148
Total net assets	<u>\$ 141,225</u>	<u>\$ 6,518</u>	<u>\$ 147,743</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 ENTERPRISE FUNDS
 Year Ended June 30, 2004

	School Nutrition	Non-Major Enterprise Fund Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 363,090	\$ 9,675	\$ 372,765
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	218,930	6,173	225,103
Benefits	90,419	825	91,244
Purchased services	10,113	-	10,113
Supplies	294,604	193	294,797
Depreciation	5,612	-	5,612
	<u>619,678</u>	<u>7,191</u>	<u>626,869</u>
Operating income (loss)	(256,588)	2,484	(254,104)
Non-operating revenues:			
Interest on investments	141	25	166
State sources	9,879	-	9,879
Federal sources	291,270	-	291,270
Total non-operating revenues	<u>301,290</u>	<u>25</u>	<u>301,315</u>
Change in net assets	44,702	2,509	47,211
Net assets beginning of year	<u>96,523</u>	<u>4,009</u>	<u>100,532</u>
Net assets end of year	\$ <u>141,225</u>	\$ <u>6,518</u>	\$ <u>147,743</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2004

	School Nutrition	Non-Major Enterprise Fund Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 363,073	\$ -	\$ 363,073
Cash received from miscellaneous operating activities	-	9,635	9,635
Cash payments to employees for services	(309,165)	(6,998)	(316,163)
Cash payments to suppliers for goods or services	(309,205)	(193)	(309,398)
Net cash provided by (used in) operating activities	(255,297)	2,444	(252,853)
Cash flows from non-capital financing activities:			
State grants received	9,879	-	9,879
Federal grants received	291,270	-	291,270
Net cash provided by non-capital financing activities	301,149	-	301,149
Cash flows from investing activities:			
Interest on investments	141	25	166
Net increase in cash and cash equivalents	45,993	2,469	48,462
Cash and cash equivalents beginning of year	61,750	3,829	65,579
Cash and cash equivalents end of year	\$ 107,743	\$ 6,298	\$ 114,041

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2004

	School Nutrition	Non-Major Enterprise Fund Preschool Daycare	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (256,588)	\$ 2,484	\$ (254,104)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,612	-	5,612
Commodities used	37,373	-	37,373
(Increase) in accounts receivable	(309)	(40)	(349)
(Increase) in inventories	(4,089)	-	(4,089)
(Decrease) in accounts payable	(107)	-	(107)
Increase in salaries and benefits payable	184	-	184
Net cash used in operating activities	\$ <u>(217,924)</u>	\$ <u>2,444</u>	\$ <u>(215,480)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$37,373 of federal commodities.

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ <u>39,956</u>
Liabilities	
Liabilities:	
Accounts payable	<u>260</u>
Net assets:	
Reserved for scholarships	\$ <u><u>39,696</u></u>
See notes to financial statements.	

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 131,087	
Interest	<u>223</u>	
Total additions	<u>131,310</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>135,618</u>
Change in net assets		(4,308)
Net assets beginning of year		<u>44,004</u>
Net assets end of year	\$	<u><u>39,696</u></u>
See notes to financial statements.		

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Vinton-Shellsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Vinton and Shellsburg, Iowa, and agricultural territory in Benton, Blackhawk, and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Vinton-Shellsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Vinton-Shellsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and personal days during the fiscal year. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The District had no compensated absence liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$750,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>152,918</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/2004	1/28/2005	\$ 1,388,391	\$ 7,473	\$ 1,379,000	\$ 11,568
2004-05A	6/30/2004	6/30/2005	2,496,458	168	2,483,000	207
Total			\$ <u>3,884,849</u>	\$ <u>7,641</u>	\$ <u>3,862,000</u>	\$ <u>11,775</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
2003-04B	-	250,000	250,000	-
Total	\$ -	\$ 1,250,000	\$ 1,250,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.0501%
2003-04B	2.000%	1.3100%
2004-05A	3.000%	2.463%

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 135,815	\$ -	\$ -	\$ 135,815
Capital assets being depreciated:				
Buildings	8,736,423	198,985	-	8,935,408
Improvements other than buildings	646,286	16,765	-	663,051
Furniture and equipment	1,197,739	52,618	37,199	1,213,158
Total capital assets being depreciated	10,580,448	268,368	37,199	10,811,617
Less accumulated depreciation for:				
Buildings	4,094,872	156,886	-	4,251,758
Improvements other than buildings	308,831	19,862	-	328,693
Furniture and equipment	743,578	105,047	37,199	811,426
Total accumulated depreciation	5,147,281	281,795	37,199	5,391,877
Total capital assets being depreciated, net	5,433,167	(13,427)	-	5,419,740
Governmental activities capital assets, net	\$ 5,568,982	\$ (13,427)	\$ -	\$ 5,555,555

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 135,995	\$ -	\$ -	\$ 135,995
Less accumulated depreciation	<u>85,788</u>	<u>5,612</u>	<u>-</u>	<u>91,400</u>
Business-type activities capital assets, net	<u>\$ 50,207</u>	<u>\$ (5,612)</u>	<u>\$ -</u>	<u>\$ 44,595</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 6,673

Support services:

Operation and maintenance of plant services

7,087

Transportation

91,287

105,047

Unallocated depreciation

176,748

Total governmental activities depreciation expense

\$ 281,795

Business-type activities:

Food service operations

\$ 5,612

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Early Retirement	Lease Purchase Agreement	Real Estate Contract Payable	General Obligation Bonds	Capital Loan Notes	Total
Balance beginning of year	\$ 90,727	\$ 108,497	\$ 40,000	\$ 815,000	\$ 575,000	\$ 1,629,224
Additions	54,970	-	-	-	-	54,970
Reductions	90,727	50,819	40,000	140,000	135,000	456,546
Balance end of year	<u>\$ 54,970</u>	<u>\$ 57,678</u>	<u>\$ -</u>	<u>\$ 675,000</u>	<u>\$ 440,000</u>	<u>\$ 1,227,648</u>
Due within one year	<u>\$ 54,970</u>	<u>\$ 53,127</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 140,000</u>	<u>\$ 398,097</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of service as a full time employee of the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The employee may also continue participation in the District's group health insurance, at the employee's own cost. Early retirement benefits paid during the year ended June 30, 2004, totaled \$90,727. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Lease Purchase Agreement

The District has a capital lease purchase agreement for fitness equipment. The lease requires 36 monthly payments of \$4,568, with a fixed rate of interest at 4.6%. A summary of the minimum lease payments at June 30, 2004 is as follows:

Minimum lease payments	\$ 59,382
Less: Amount representing interest	<u>(1,704)</u>
Present value of lease payments	<u>\$ 57,678</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.35 %	\$ 150,000	\$ 30,000	\$ 180,000
2006	4.40	150,000	23,475	173,475
2007	4.50	160,000	16,875	176,875
2008	4.50	165,000	9,675	174,675
2009	4.50	50,000	2,250	52,250
Total		<u>\$ 675,000</u>	<u>\$ 82,275</u>	<u>\$ 757,275</u>

During the year ended June 30, 2004, the District retired \$140,000 of bonds.

Capital Loan Notes Payable

Details of the District's June 30, 2004, capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	2.95 %	\$ 140,000	\$ 14,040	\$ 154,040
2006	3.20	145,000	9,910	154,910
2007	3.40	155,000	5,270	160,270
Total		<u>\$ 440,000</u>	<u>\$ 29,220</u>	<u>\$ 469,220</u>

During the year ended June 30, 2004, the District retired \$135,000 of capital loan notes.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$535,847, \$533,825, and \$533,878 respectively, equal to the required contributions for each year.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management

Vinton-Shellsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$544,014 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Financial Condition

The District had an unrestricted net asset deficit of \$191,175 and an unreserved, undesignated General Fund deficit balance of \$191,175. In addition, several individual accounts within the Special Revenue, Activity Fund had deficit balances.

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Required Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 5,699,326	\$ 372,874	\$ 6,072,200	\$ 6,345,829	\$ (273,629)
Intermediate sources	-	-	-	20,000	(20,000)
State sources	8,135,594	9,879	8,145,473	8,384,779	(239,306)
Federal sources	328,297	291,270	619,567	500,000	119,567
Total receipts	14,163,217	674,023	14,837,240	15,250,608	(413,368)
DISBURSEMENTS:					
Instruction	9,470,073	-	9,470,073	9,898,018	427,945
Support services	3,728,956	-	3,728,956	3,669,881	(59,075)
Non-instructional programs	-	625,561	625,561	634,000	8,439
Other expenditures	1,376,135	-	1,376,135	1,612,339	236,204
Total disbursements	14,575,164	625,561	15,200,725	15,814,238	613,513
Excess (deficiency) of receipts over (under) disbursements	(411,947)	48,462	(363,485)	(563,630)	200,145
Balance beginning of year	1,747,943	65,579	1,813,522	1,547,518	266,004
Balance end of year	\$ 1,335,996	\$ 114,041	\$ 1,450,037	\$ 983,888	\$ 466,149

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,163,217	\$ (50,087)	\$ 14,113,130
Expenditures	14,575,164	(71,968)	14,503,196
Net	(411,947)	21,881	(390,066)
Beginning fund balances	1,747,943	(1,052,053)	695,890
Ending fund balances	<u>\$ 1,335,996</u>	<u>\$ (1,030,172)</u>	<u>\$ 305,824</u>
	Proprietary Fund		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 674,023	\$ 57	\$ 674,080
Expenses	625,561	1,308	626,869
Net	48,462	(1,251)	47,211
Beginning net assets	65,579	34,953	100,532
Ending net assets	<u>\$ 114,041</u>	<u>\$ 33,702</u>	<u>\$ 147,743</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted.

Other Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 101,136	\$ 153,972	\$ 220,080	\$ 18,273	\$ 493,461
Receivables:					
Property tax:					
Current year	3,280	-	4,991	3,206	11,477
Succeeding year	203,000	-	243,000	163,000	609,000
Income surtax	-	-	273,053	-	273,053
Accrued interest	-	75	86	-	161
Accounts	-	2,937	-	-	2,937
Total assets	\$ <u>307,416</u>	\$ <u>156,984</u>	\$ <u>741,210</u>	\$ <u>184,479</u>	\$ <u>1,390,089</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 10,689	\$ 348	\$ -	\$ 11,037
Deferred revenue:					
Succeeding year property tax	203,000	-	243,000	163,000	609,000
Other	-	-	273,053	-	273,053
Total liabilities	<u>203,000</u>	<u>10,689</u>	<u>516,401</u>	<u>163,000</u>	<u>893,090</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	21,479	21,479
Unreserved:					
Undesignated	<u>104,416</u>	<u>146,295</u>	<u>224,809</u>	<u>-</u>	<u>475,520</u>
Total fund equity	<u>104,416</u>	<u>146,295</u>	<u>224,809</u>	<u>21,479</u>	<u>496,999</u>
Total liabilities and fund equity	\$ <u>307,416</u>	\$ <u>156,984</u>	\$ <u>741,210</u>	\$ <u>184,479</u>	\$ <u>1,390,089</u>

See accompanying independent auditor's report.

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 174,052	\$ -	\$ 546,730	\$ 175,394
Other	690	382,847	8,168	97
State sources	189	-	300	193
Total revenues	174,931	382,847	555,198	175,684
Expenditures:				
Current:				
Instruction:				
Regular instruction	158,498	-	-	-
Other instruction	-	363,881	-	-
Support services:				
Instructional staff services	-	-	8,270	-
Operation and maintenance of plant services	57,576	-	-	-
Transportation services	18,360	-	50,968	-
Other expenditures:				
Facilities acquisition	-	-	487,760	-
Long term debt:				
Principal	-	-	-	275,000
Interest and fiscal charges	-	-	-	54,238
Total expenditures	234,434	363,881	546,998	329,238
Excess (deficiency) of revenues over (under) expenditures	(59,503)	18,966	8,200	(153,554)
Other financing sources (uses)				
Interfund transfers in	-	-	-	152,918
Interfund transfers out	-	-	(152,918)	-
Total other financing sources (uses)	-	-	(152,918)	152,918

	<u>Capital Projects</u>	<u>Total</u>
\$	- \$	896,176
	-	391,802
	-	682
	-	<u>1,288,660</u>
	-	158,498
	-	363,881
	-	8,270
	-	57,576
	-	69,328
	4,571	492,331
	-	275,000
	-	54,238
	<u>4,571</u>	<u>1,479,122</u>
	(4,571)	(190,462)
	-	152,918
	-	<u>(152,918)</u>
	<u>-</u>	<u>-</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (59,503)	\$ 18,966	\$ (144,718)	\$ (636)
Fund balances beginning of year	163,919	127,329	369,527	22,115
Fund balances end of year	<u>\$ 104,416</u>	<u>\$ 146,295</u>	<u>\$ 224,809</u>	<u>\$ 21,479</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
(4,571) \$	(190,462)
<u>4,571</u>	<u>687,461</u>
\$ <u><u> </u></u> - \$	<u><u> </u></u> 496,999

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Life Skills - Sp Ed	\$ 1,466	\$ -	\$ -	1,466
General Athletics	(391)	30,678	34,004	(3,717)
Activity Bus	337	-	-	337
Health	1,955	1,735	1,324	2,366
Interest	18,757	606	(574)	19,937
Shellsburg Yearbook	1,142	1,064	1,422	784
Shellsburg Activities	1,966	1,650	1,319	2,297
Shellsburg St Council	1,707	3,956	2,690	2,973
Shellsburg Picture	1,377	772	122	2,027
Shellsburg Keyboard	-	652	-	652
Coach Boys Basketball	339	5,463	4,132	1,670
Coach Boys Football	148	14,422	8,438	6,132
Coach Boys Baseball	4,260	6,524	8,096	2,688
Coach Boys Wrestling	1,139	3,367	2,871	1,635
Coach Girls Basketball	1,379	11,202	10,775	1,806
Coach Girls Volleyball	923	2,185	1,340	1,768
Coach Girls Softball	(297)	3,257	2,674	286
Coach Track	10	-	-	10
Coach Girls Golf	440	652	671	421
Fine Arts Sponsors	14	-	-	14
Coach Speech	74	-	-	74
Act Tickets - Elem	2	100	-	102
Invention Convention	330	-	-	330
Lunch - Elem	1,296	16,473	16,768	1,001
Activity Guidance	43	-	-	43
Linc - Thirsty Thursday	2,340	1,745	355	3,730
Student Productions	3,657	3,715	3,733	3,639
Student Pictures	1,605	935	-	2,540
Special Project - Jump for Heart	1,214	-	134	1,080
West Activities	2,981	835	1,012	2,804
West Student Pictures	1,258	385	-	1,643
West Special Projects	25	-	19	6
Lincoln Pop	1,642	(1,642)	-	-
Library	9	(9)	-	-
Lincoln Student Pictures	662	(662)	-	-
Special Olympics	1,322	1,378	1,686	1,014
Tilford Yearbook	1,697	3,591	3,500	1,788

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Band JH	\$ 1,920	\$ 3,510	\$ 2,748	\$ 2,682
Magazines Sales	6,290	31,325	29,731	7,884
Tilford Concession	783	-	-	783
Tilford Activities	4,130	15,128	15,069	4,189
MS Act Tickets	325	175	-	500
FHA	37	-	-	37
MS Student Council	170	2,857	2,693	334
MS Student Pictures	1,932	564	450	2,046
MS Act Lunch	1,015	8,569	8,574	1,010
Special Ed Activities	58	-	-	58
Boys Basketball	37	6,991	5,020	2,008
Boys Football	1,420	14,973	22,287	(5,894)
Boys Baseball	1,404	5,822	8,102	(876)
Boys Track	571	6,489	5,340	1,720
Boys Cross Country	84	759	767	76
Boys Golf	251	585	1,282	(446)
Boys Swimming	150	960	1,094	16
Boys Wrestling	334	3,617	3,648	303
Girls Basketball	1,001	6,443	6,559	885
Girls Volleyball	73	9,337	8,841	569
Girls Softball	102	7,299	7,146	255
Girls Track	1,106	2,145	3,125	126
Girls Cross Country	73	523	591	5
Girls Golf	(33)	699	682	(16)
Girls Swimming	27	1,000	831	196
Act Sales HS	160	-	-	160
Annual Yearbook	5,995	7,281	5,427	7,849
Band HS	4,096	5,695	7,522	2,269
Band Trip HS	9	11,270	6,970	4,309
Class of 2003	58	(58)	-	-
Class of 2004	1,540	6,261	6,541	1,260
Class of 2005	(65)	5,886	5,340	481
Class of 2006	(41)	87	46	-
Class of 2007	-	26	26	-
Class of 2008	2,294	-	-	2,294

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2010	\$ (7)	\$ -	\$ -	(7)
Class of 2011	(28)	28	252	(252)
Weight Room	204	2,548	2,410	342
Student Council Activities	12,624	28,832	18,842	22,614
Vending Machine	2,489	298	-	2,787
Drill Team	2,677	6,832	7,445	2,064
HS Act Tickets	295	231	-	526
FFA	1,909	30,724	31,113	1,520
FHA	27	241	-	268
HS Home Ec	20	248	223	45
Ambassador club	394	-	-	394
National Honor Society	1,441	1,700	1,414	1,727
Bus Professional Club	265	-	-	265
Science Club	168	20	58	130
HS Student Senate	1,228	2,321	1,116	2,433
HS Student Pictures	1,432	484	75	1,841
SADD	804	-	-	804
Theatre	2,164	3,518	3,666	2,016
Recycling Club	101	-	-	101
Vocal	299	(297)	-	2
Contest Speech	136	3,971	4,373	(266)
HS Act Lunch	668	10,631	10,549	750
HS Activities	(192)	3,418	4,085	(859)
Amateur Radio	1,381	-	-	1,381
Cheerleaders	2,696	5,852	5,297	3,251
Total	\$ 127,329	\$ 382,847	\$ 363,881	\$ 146,295

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 4,661,728	\$ 4,543,470	\$ 4,126,882	\$ 3,902,270
Tuition	434,440	228,571	215,306	181,287
Other	568,716	578,049	506,543	570,953
Intermediate sources	-	68,727	43,562	11,677
State sources	8,120,912	8,146,142	8,924,077	7,870,650
Federal sources	327,334	531,530	287,988	270,893
Total revenues	<u>\$ 14,113,130</u>	<u>\$ 14,096,489</u>	<u>\$ 14,104,358</u>	<u>\$ 12,807,730</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 6,279,985	\$ 6,057,463	\$ 6,077,630	\$ 5,701,084
Special instruction	2,069,556	2,040,480	2,138,682	1,946,829
Other instruction	1,020,963	994,701	985,768	922,725
Support services:				
Student services	502,491	479,786	524,831	478,712
Instructional staff services	637,850	591,253	562,532	512,715
Administration services	1,197,121	1,120,435	1,182,581	1,137,213
Operation and maintenance of plant services	971,308	911,554	847,662	1,003,870
Transportation services	458,339	407,051	339,639	454,694
Central and other support services	-	101,622	-	-
Other expenditures:				
Facilities acquisition	492,331	857,831	1,950,763	225,802
Long-term debt:				
Principal	275,000	260,000	130,000	125,000
Interest and fiscal charges	54,238	72,935	47,320	52,320
AEA flowthrough	544,014	571,054	569,980	570,075
Total expenditures	<u>\$ 14,503,196</u>	<u>\$ 14,466,165</u>	<u>\$ 15,357,388</u>	<u>\$ 13,131,039</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 04	\$ <u>37,373</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 04	43,366
National School Lunch Program	10.555	FY 04	210,350
Special Milk Program for Children	10.556	FY 04	181
			<u>253,897</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	6660-G-04	<u>212,761</u>
Grants for State Assessments and Related Activities	84.369	FY 04	<u>10,722</u>
Improving Teacher Quality State Grants	84.367	FY 04	<u>82,174</u>
Innovative Education Program Strategies	84.298	FY 03	<u>7,044</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 03	2,580
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 04	6,307
			<u>8,887</u>
			<u>321,588</u>
Total			\$ <u>612,858</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Vinton-Shellsburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Vinton-Shellsburg Community School District:

We have audited the financial statements of Vinton-Shellsburg Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Vinton-Shellsburg Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Vinton-Shellsburg Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vinton-Shellsburg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Vinton-Shellsburg Community School District and other parties to whom Vinton-Shellsburg Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Vinton-Shellsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 26, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education of
Vinton-Shellsburg Community School District:

Compliance

We have audited the compliance of Vinton-Shellsburg Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Vinton-Shellsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vinton-Shellsburg Community School District's management. Our responsibility is to express an opinion on Vinton-Shellsburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vinton-Shellsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Vinton-Shellsburg Community School District's compliance with those requirements.

In our opinion, Vinton-Shellsburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Vinton-Shellsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Vinton-Shellsburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Vinton-Shellsburg Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Vinton-Shellsburg Community School District and other parties to whom Vinton-Shellsburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
August 26, 2004

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Vinton-Shellsburg Community School District qualified as a low-risk auditee.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

II-A-04 Financial Condition – The District’s governmental activities had a deficit net assets balance of \$191,175, the General Fund had an unreserved, undesignated balance of \$191,175, and the District’s Special Revenue, Activity Fund had several individual account deficits at June 30, 2004.

Recommendation – The District should analyze the overall governmental and fund activities and search for ways to eliminate these deficits.

Response – We will look into this matter and eliminate the deficits as soon as possible.

Conclusion – Response accepted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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